

Sewerage District No. 1 of Tangipahoa Parish

Annual Financial Statements

As of and for the Year Ended December 31, 2013
With Supplemental Information Schedules

Sewerage District No. 1 of Tangipahoa Parish
Annual Financial Statements
As of and for the Year Ended December 31, 2013
With Supplemental Information Schedules

TABLE OF CONTENTS

	Statement	Schedule	Page
Independent Auditor's Report			4
Required Supplemental Information (Part I):			
Management's Discussion and Analysis:			
Financial Highlights			8
Overview of Annual Financial Report			9
Financial Analysis.....			9
Condensed Statement of Net Position			10
Condensed Statement of Revenues, Expenses, and Changes in Net Position			11
Budgetary Highlights.....			12
Other Significant Trends and Account Changes			13
Capital Assets			14
Long-Term Debt Offerings.....			14
Future Economic Plans.....			15
Business-Type Financial Statements:			
Statement of Net Position.....	A		17
Statement of Revenues, Expenses, and Changes in Net Position	B		18
Statement of Cash Flows.....	C		19
Notes to the Financial Statements.....			21
Other Supplemental Information (Part II):			
Schedule of Revenues, Expenses, and Changes in Net Position-			
Budget (GAAP) Basis and Actual.....		1	36
Schedule of Compensation Paid Board of Commissioners.....		2	37
Schedule of Insurance		3	38
Schedule of Sewer System Rates and Number of Customers		4	39
Summary Schedule of Auditor's Results		5	40
Summary Schedule of Prior Year Audit Findings		6	41
Corrective Action Plan for Current Year Audit Findings		7	42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>			43

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Independent Auditor's Report

To Board of Commissioners
Sewerage District No. 1 of Tangipahoa Parish
Tangipahoa Parish Council
Hammond, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Sewerage District No. 1 of Tangipahoa Parish as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BRUCE HARRELL & CO., CPAs
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

To the Board of Commissioners
Sewerage District No. 1 of Tangipahoa Parish
Tangipahoa Parish Council
Hammond, Louisiana
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sewerage District No. 1 of Tangipahoa Parish, as of December 31, 2013, and the respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-15 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the District's basic financial statements. The supplementary information, including the summary of board member information and compensation, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Budgetary Comparison Schedule and the summary of board member compensation, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BRUCE HARRELL & CO., CPAs
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

To the Board of Commissioners
Sewerage District No. 1 of Tangipahoa Parish
Tangipahoa Parish Council
Hammond, Louisiana
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the end.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

May 28, 2014

Required Supplemental Information (Part 1)

Management's Discussion and Analysis

Sewerage District No. 1 of Tangipahoa Parish

Management's Discussion and Analysis As of and for the Year Ended December 31, 2013

Introduction

The Sewerage District No. 1 of Tangipahoa Parish (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and with current standards more fully described in the financial statement footnotes as *Footnote 1. Summary of Significant Accounting Policies – Section A “Measurement Focus and Basis of Accounting and Financial Statement Presentation”*.

The District's Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements and the accompanying financial statement footnotes.

Financial Highlights

- At December 31, 2013, total assets were \$7,381,903, and exceeded liabilities in the amount of \$6,008,618 (i.e., net position). Of the total net position, \$1,243,489 was unrestricted and available to support short-term operations, with \$4,600,483 net investment in capital assets, and the balance of \$164,646 restricted for capital activity and debt service. Total net position increased \$271,736, reflecting continuity in operations.
- For the year ended December 31, 2013, user fee revenues increased \$407,367 (approximately twenty-six percent) to \$1,982,859 as compared to \$1,575,492 for the fiscal year ending December 31, 2012.
- The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than non-recurring expenses, depreciation expense, and interest expense, increased by \$173,534 or twelve percent. The major components of the change were increases in engineering and surveyor fees of \$78,402 or seventy-two percent and an increase in repairs and maintenance by \$52,073 or 213 percent. Lift station and plant maintenance decreased by \$60,112 or 10 percent.
- Total long term debt decreased by the bond and capital lease principal payments made of \$175,740 during the fiscal year ending December 31, 2013 to \$1,305,685.

Sewerage District No. 1 of Tangipahoa Parish

Management's Discussion and Analysis As of and for the Year Ended December 31, 2013

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Sewerage District No. 1 of Tangipahoa Parish's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and schedules detailing audit findings and management response, as well as required reports for Single Audit disclosure.

Financial Analysis

The purpose of financial analysis is to help determine whether Sewerage District No. 1 of Tangipahoa Parish is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position, and the Statement of Revenues, Expenses, and Changes in Net Position, are presented below in condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Sewerage District No. 1 of Tangipahoa Parish

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2013**

**Condensed Statement of Net Position
2013 and 2012**

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 1,475,735	\$ 1,290,152	\$ 185,583	14%
Capital Assets	<u>5,906,168</u>	<u>6,009,138</u>	<u>(102,970)</u>	-2%
Total Assets	<u>7,381,903</u>	<u>7,299,290</u>	<u>82,613</u>	1%
Liabilities:				
Long-Term Debt Outstanding	1,305,685	1,481,425	(175,740)	-12%
Other Liabilities	<u>67,600</u>	<u>80,983</u>	<u>(13,383)</u>	-17%
Total Liabilities	<u>1,373,285</u>	<u>1,562,408</u>	<u>(189,123)</u>	-12%
Net Position:				
Net Investment in Capital Assets	4,600,483	4,527,713	72,770	2%
Restricted for Capital Activity and Debt Service	164,646	150,510	14,136	9%
Unrestricted	<u>1,243,489</u>	<u>1,058,659</u>	<u>184,830</u>	17%
Total Net Position	<u>\$ 6,008,618</u>	<u>\$ 5,736,882</u>	<u>\$ 271,736</u>	5%

Current and Other Assets include current assets for operations, restricted assets, and other assets. The increase in this category consists primarily of an increase in unrestricted cash as a result of excess revenue over expenses. The increase also resulted from an increase in accounts receivables as well as an increase in restricted cash reserves for deposits that were made in accordance with requirements of bond debt agreements.

Capital Assets decreased by \$102,970 net of accumulated depreciation, largely as a result of depreciation expense recorded during the year. Additional detail for capital asset additions and deletions is included within this *Management's Discussion and Analysis* in the section entitled "Capital Assets".

Long-term debt decreased by \$175,740 at December 31, 2013, to \$1,305,685, reflecting debt reduction payments for the fiscal year.

Total net position (total assets less total liabilities) increased by \$271,736 for the fiscal year ending December 31, 2013. The largest increase was \$184,830 for unrestricted net position due to the increases noted above for Current and Other Assets.

Sewerage District No. 1 of Tangipahoa Parish

Management's Discussion and Analysis As of and for the Year Ended December 31, 2013

Condensed Statement of Revenues, Expenses and Changes in Net Position 2013 and 2012

	Year ended December 31, 2013	Year ended December 31, 2012	Dollar Change	Percentage Change
Revenues:				
Operating Revenues	\$ 2,161,793	\$ 1,697,774	\$ 464,019	27%
Nonoperating Revenues	62,095	1,114	60,981	5474%
Total Revenues	<u>2,223,888</u>	<u>1,698,888</u>	<u>525,000</u>	31%
Expenses:				
Depreciation Expense	302,431	284,891	17,540	6%
Other Operating Expense	1,587,299	1,413,765	173,534	12%
Nonoperating Expense	62,422	72,582	(10,160)	-14%
Total Expenses	<u>1,952,152</u>	<u>1,771,238</u>	<u>180,914</u>	10%
Income (Loss) Before Contributions	271,736	(72,350)	344,086	476%
Capital Contributions	-	142,000	(142,000)	-100%
Changes in Net Position	271,736	69,650	202,086	290%
Total Net Position, Beginning	5,736,882	5,667,232	69,650	1%
Total Net Position, Ending	<u>\$ 6,008,618</u>	<u>\$ 5,736,882</u>	<u>\$ 271,736</u>	5%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table shows an increase in net position of \$271,736 for the fiscal year ending December 31, 2013 as does the Condensed Statement of Net Position on the prior page.

The District's total revenues increased by \$525,000 in 2013 after a \$103,528 increase in 2012. This was due primarily to an increase in sewer service charges in 2013.

The District's operating expenses, consisting of those expenses resulting from the District's ongoing operations, other than non-recurring expenses, depreciation expense, and interest expense, increased by \$173,534 for the fiscal year ending December 31, 2013. The major components of the change were a \$78,402 or seventy-two percent increase in engineering and surveyor fees and a \$52,073 or 213 percent increase in repairs and maintenance.

As noted, the District showed an increase of \$271,736 in Ending Net Position, primarily because of the increases in operating revenues as discussed above.

Sewerage District No. 1 of Tangipahoa Parish

Management's Discussion and Analysis As of and for the Year Ended December 31, 2013

Budgetary Highlights

Sewerage District No. 1 of Tangipahoa Parish adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2013

	Budget Year ended December 31, 2013	Actual Year ended December 31, 2013	Favorable (Unfavorable) Variance
Revenues:			
Operating Revenues	\$ 1,537,682	\$ 2,161,793	\$ 624,111
Nonoperating Revenues	1,000	62,095	61,095
Total Revenues	<u>1,538,682</u>	<u>2,223,888</u>	<u>685,206</u>
Expenses:			
Depreciation Expense	265,000	302,431	(37,431)
Other Operating Expense	1,193,682	1,587,299	(393,617)
Nonoperating Expense	80,000	62,422	17,578
Total Expenses	<u>1,538,682</u>	<u>1,952,152</u>	<u>(413,470)</u>
Income (Loss) before Capital Contributions	-	271,736	271,736
Capital Contributions	-	-	-
Change in Net Position	<u>\$ -</u>	<u>\$ 271,736</u>	<u>\$ 271,736</u>

- Actual revenues for the fiscal year ended December 31, 2013 showed an increase of \$685,206 over final budgeted revenues. The greatest difference came from an increase of \$542,177 in the amount of sewer service charges collected over the amount budgeted.
- Actual expenses, including depreciation, showed an unfavorable variance to the final budget in the amount of \$413,470. The unfavorable variance is primarily in the following operating expense categories:
 - Engineering and Surveyor Fees were under budgeted by \$76,775.
 - Lift Station and Plant Maintenance expense was under budgeted by \$146,292.

Sewerage District No. 1 of Tangipahoa Parish

Management's Discussion and Analysis As of and for the Year Ended December 31, 2013

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	December 31, 2013	December 31, 2012	Increase (Decrease)
Customers			
Residential	3,203	3,003	200
Commercial	43	41	2
Total Customers	<u>3,246</u>	<u>3,044</u>	<u>202</u>

One key measure of the District's profitability, and the ability to generate positive cash flows, is the ability of the sewer system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2013 and 2012.

	Year Ended December 31, 2013	Year Ended December 31, 2012	Increase (Decrease)
Accounts Receivable			
Current	\$ 182,419	\$ 152,392	\$ 30,027
31-60 Days Past Due	-	-	-
61-90 Days Past Due	-	-	-
Over 90 Days Past Due	-	-	-
Subtotal	<u>182,419</u>	<u>152,392</u>	<u>30,027</u>
Allowance for Uncollectible Accounts	<u>(12,744)</u>	<u>(12,744)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 169,675</u>	<u>\$ 139,648</u>	<u>\$ 30,027</u>

Total receivables for sewer service increased by \$30,027. The total of \$12,744 listed as the allowance for uncollectible accounts reflects an amount considered adequate for past due accounts referred for collection.

Sewerage District No. 1 of Tangipahoa Parish

Management's Discussion and Analysis As of and for the Year Ended December 31, 2013

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2013, Sewerage District No. 1 of Tangipahoa Parish had \$5,906,168 (net of accumulated depreciation) recorded in capital assets. The changes in capital assets are presented in the table below.

	December 31, 2013	December 31, 2012	Increase (Decrease)	Percentage Change
Capital Assets				
Land	\$ 305,086	\$ 305,086	\$ -	0%
Buildings and Improvements	87,424	87,424	-	0%
Machinery & Equipment	615,335	415,874	199,461	48%
Sewer System	8,125,205	8,125,205	-	0%
Subtotal	9,133,050	8,933,589	199,461	2%
Less: Accumulated Depreciation	(3,226,882)	(2,924,451)	302,431	10%
Net Capital Assets	\$ 5,906,168	\$ 6,009,138	\$ (102,970)	-2%

Key capital asset additions included \$199,461 for machinery and equipment.

Long-Term Debt Offerings

The primary source of long-term financing for Sewerage District No. 1 of Tangipahoa Parish is revenue bonds financed by the United States Department of Agriculture, Rural Utilities Service (RUS), with one revenue bond of \$225,000 issued through a private lending institution in fiscal year 2005. Interim financing, pending completion of construction, is generally financed by private financial institutions, or through low-interest programs of the Louisiana Public Facilities Authority. Interest rates for long-term debt financed through RUS and a private lending institution at December 31, 2013, range from 4.25 percent to 5.625 percent, with initial payment terms for bonds generally at 40 years.

Bonds financed for Sewerage District No. 1 of Tangipahoa Parish require a specific ratio (120 percent) of net revenues (before interest expense, depreciation, and other non-cash flow items) to debt service requirements (including bond installments, and required deposits for Reserve Fund & Depreciation and Contingency Fund). The actual ratio for the fiscal year ending December 31, 2013 exceeds 200%, well exceeding the required ratio of 120 percent.

Sewerage District No. 1 of Tangipahoa Parish

**Management's Discussion and Analysis
As of and for the Year Ended December 31, 2013**

Future Economic Plans

The District continues to grow to match population increases and commercial growth in Tangipahoa Parish. With this continued growth, the District must develop plans not only to meet the needs of its existing citizens but must continually plan for the future. In this process the District must continually review its financial structure to ensure a continuity of services, while reviewing options for financing capital projects that meet health and environmental standards and encourage planned development.

Requests for Information

This financial report is designed to provide a general overview of Sewerage District No. 1 of Tangipahoa Parish's finances and to demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 1541 Club Deluxe Road, Hammond, LA 70403. The phone number for the District is 985-542-8877.

Financial Statements

Sewerage District No. 1 of Tangipahoa Parish
Statement of Net Position
As of December 31, 2013
(With Comparative Totals as of December 31, 2012)

Statement A

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 1,118,060	\$ 986,075
Receivables, Net :		
Accounts	169,675	139,648
Prepaid Insurance	23,354	13,919
Total Current Assets	<u>1,311,089</u>	<u>1,139,642</u>
Restricted Assets:		
Restricted Cash and Cash Equivalents	164,646	150,510
Total Restricted Assets	<u>164,646</u>	<u>150,510</u>
Property, Plant, and Equipment		
Land	305,086	305,086
Property, Plant and Equipment, Net	5,601,082	5,704,052
Total Property, Plant, and Equipment	<u>5,906,168</u>	<u>6,009,138</u>
Total Assets	<u>7,381,903</u>	<u>7,299,290</u>
Liabilities		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	36,160	42,719
Other Accrued Payables	31,440	32,844
Total Current Liabilities (Payable From Current Assets)	<u>67,600</u>	<u>75,563</u>
Current Liabilities (Payable From Restricted Assets):		
Accrued Interest	-	5,420
Revenue Bonds Payable	103,636	49,255
Capital Lease	-	11,191
Total Current Liabilities (Payable From Restricted Assets)	<u>103,636</u>	<u>65,866</u>
Long Term Liabilities:		
Bonds Payable	1,202,049	1,420,979
Total Long Term Liabilities	<u>1,202,049</u>	<u>1,420,979</u>
Total Liabilities	<u>1,373,285</u>	<u>1,562,408</u>
Net Position		
Net Investment in Capital Assets	4,600,483	4,527,713
Restricted for:		
Capital Projects and Debt Service	164,646	150,510
Unrestricted	1,243,489	1,058,659
Total Net Position	<u>\$ 6,008,618</u>	<u>\$ 5,736,882</u>

The accompanying notes are an integral part of this statement

Statement B

Sewerage District No. 1 of Tangipahoa Parish
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Sewer Service Charges	\$ 1,982,859	\$ 1,575,492
Impact Fees	77,800	41,738
Connection Fees	89,127	80,544
Other	12,007	-
Total Operating Revenues	<u>2,161,793</u>	<u>1,697,774</u>
Operating Expenses		
Salaries and Wages	303,519	284,193
Employee Benefits	152,995	130,019
Billing Costs	55,469	43,554
Depreciation	302,431	284,891
Director's and Recording Secretary Expense	12,450	7,670
Engineering and Surveyor Fees	186,775	108,373
Insurance	31,081	26,307
Lift Station and Plant Maintenance	560,542	620,654
Other	37,286	22,081
Professional Fees	62,520	55,342
Rent	2,204	4,124
Repairs and Maintenance	76,470	24,397
Supplies	66,028	47,381
Vehicle Expenses	39,960	39,670
Total Operating Expenses	<u>1,889,730</u>	<u>1,698,656</u>
Operating Income (Loss)	<u>272,063</u>	<u>(882)</u>
Nonoperating Revenues (Expenses)		
FEMA Reimbursement	44,691	-
Interest Income	17,404	1,114
Interest Expense	(62,422)	(73,882)
Gain (Loss) on Disposal of Capital Assets	-	1,300
Total Nonoperating Revenues (Expenses)	<u>(327)</u>	<u>(71,468)</u>
Income (Loss) Before Contributions	<u>271,736</u>	<u>(72,350)</u>
Contributions		
Capital Contributions	-	142,000
Change in Net Position	<u>271,736</u>	<u>69,650</u>
Total Net Position Beginning	<u>5,736,882</u>	<u>5,667,232</u>
Total Net Position, Ending	<u>\$ 6,008,618</u>	<u>\$ 5,736,882</u>

The accompanying notes are an integral part of this statement

Statement C

Sewerage District No. 1 of Tangipahoa Parish
Statement of Cash Flows
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Received From Customers	\$ 2,119,759	\$ 1,680,691
Other Receipts	12,007	-
Payments for Operations	(1,148,183)	(964,279)
Payments to Employees	<u>(456,514)</u>	<u>(414,212)</u>
Net Cash Provided by Operating Activities	<u>527,069</u>	<u>302,200</u>
Cash Flows From Capital and Related Financing Activities		
Capital Grants Received	44,691	-
Proceeds from Sale of Capital Acquisitions	-	1,300
(Payments for) Capital Acquisitions	(199,461)	(33,080)
Principal Proceeds from (Repayments for) Long Term Debt	(175,740)	(58,202)
Interest Payments for Long Term Debt	<u>(67,842)</u>	<u>(73,882)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(398,352)</u>	<u>(163,864)</u>
Cash Flows From Investing Activities		
Receipt of Interest	<u>17,404</u>	<u>1,114</u>
Net Cash Provided by Investing Activities	<u>17,404</u>	<u>1,114</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	146,121	139,450
Cash and Cash Equivalents, Beginning of Year	<u>1,136,585</u>	<u>997,135</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,282,706</u>	<u>\$ 1,136,585</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 1,118,060	\$ 986,075
Cash and Cash Equivalents, Restricted	<u>164,646</u>	<u>150,510</u>
Total Cash and Cash Equivalents	<u>\$ 1,282,706</u>	<u>\$ 1,136,585</u>

(Continued)

The accompanying notes are an integral part of this statement

Statement C

Sewerage District No. 1 of Tangipahoa Parish
Statement of Cash Flows
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 272,063	\$ (882)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	302,431	284,891
(Increase) decrease in Accounts Receivable	(30,027)	(17,083)
(Increase) decrease in Prepaid Insurance	(9,435)	(1,114)
Increase (decrease) in Accounts Payable	(6,559)	29,305
Increase (decrease) in Accrued Expenses	(1,404)	7,083
Net Cash Provided (Used) by Operating Activities	<u>\$ 527,069</u>	<u>\$ 302,200</u>

(Concluded)

The accompanying notes are an integral part of this statement

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

Introduction

In 1985, the Tangipahoa Parish Police Jury (now Tangipahoa Parish Council) voted to create a parish wide sewer district, in accordance with Louisiana Revised Statute 33:3811, thus creating the Sewer District No. 1 of Tangipahoa Parish. The Sewer District No. 1 of Tangipahoa Parish is governed by a board of commissioners consisting of five members. The board is appointed by the parish council and paid according to the number of meetings attended. The District encompasses all non-incorporated areas, with a few exclusions for some previously franchised areas of Tangipahoa Parish. At December 31, 2013, Sewerage District No. 1 of Tangipahoa Parish provided service to a total of 3,246 customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Sewerage District No. 1 of Tangipahoa Parish is considered a component unit of the Tangipahoa Parish Council.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as described in the following paragraphs.

These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net position (or balance sheet), a statement of activities, and a statement of cash flows. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District to be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net position by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J—Net Position*.

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote 1 – Long-Term Debt Offerings*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds, and impact fees (administrative charges) for the cost of providing services to new and existing sewer systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

The following disclosures are required by GASB Statement No. 31:

- When held the District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost
- There is no involuntary participation in an external investment pool.

The District does not have any investments at December 31, 2013.

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including sewer systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	7 - 39 Years
Machinery and Equipment	5 - 7 Years
Sewer System	24 - 40 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

H. Compensated Absences

The District has the following policy related to vacation and sick leave:

Employees earn five days of paid vacation after working full-time for one year, ten days of paid vacation after working full-time for three years, and fifteen days of paid vacation after working full-time for ten years. Employees are allowed to accumulate vacation leave and upon separation from employment will be paid at the current rate of pay. Overtime can be earned from the first day of employment.

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. Accordingly, the District has not accrued liability for sick leave.

I. Long-Term Debt Offerings

Long-term liabilities are recognized within the Enterprise Fund. The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to compliment GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued ("old") debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any),

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

J. Net Position

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net position into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

Net Investment in Capital Assets Component of Net Position

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted Component of Net Position

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted Component of Net Position

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At December 31, 2013, the District has cash and cash equivalents (book balances), as follows:

	December 31,	December 31,
	2013	2012
Interest Bearing Demand Deposits	\$ 1,282,706	\$ 1,136,585
	<u>\$ 1,282,706</u>	<u>\$ 1,136,585</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2013, the District had \$1,307,124 in deposits (collected bank balances) with the total deposits of \$1,307,124 consisting of demand deposits. These deposits are secured from risk by \$250,000 of federal deposit insurance and \$1,057,124 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

3. Receivables

The following is a summary of receivables at December 31, 2013 and 2012:

	<u>Year Ended December 31, 2013</u>	<u>Year Ended December 31, 2012</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 182,419	\$ 152,392	\$ 30,027
31-60 Days Past Due	-	-	-
61-90 Days Past Due	-	-	-
Over 90 Days Past Due	-	-	-
Subtotal	<u>182,419</u>	<u>152,392</u>	<u>30,027</u>
Allowance for Uncollectible Accounts	<u>(12,744)</u>	<u>(12,744)</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 169,675</u>	<u>\$ 139,648</u>	<u>\$ 30,027</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The Board of Commissioners of Sewerage District No. 1 of Tangipahoa Parish established an allowance for uncollectible accounts based on past experience in customer collections. Periodically, the Board reviews the aging of receivables and determines the actual amounts uncollectible. Per Board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

4. Restricted Assets

The following is a summary of restricted assets at December 31, 2013 and 2012:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Restricted Cash and Cash Equivalents		
Bond Reserve Account	\$ 159,563	\$ 74,135
Bond Contingency Account	-	71,360
Construction Account	<u>5,083</u>	<u>5,015</u>
Total Restricted Assets	<u>\$ 164,646</u>	<u>\$ 150,510</u>

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

5. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2013 is as follows:

	<u>Beginning Balance 12/31/12</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance 12/31/13</u>
Capital Assets				
Land	\$ 305,086	\$ -	\$ -	\$ 305,086
Buildings and Improvements	87,424	-	-	87,424
Machinery and Equipment	283,681	199,461	-	483,142
Vehicles	132,193	-	-	132,193
Sewer System	<u>8,125,205</u>	<u>-</u>	<u>-</u>	<u>8,125,205</u>
Total Capital Assets	8,933,589	199,461	-	9,133,050
Less Accumulated Depreciation	<u>(2,924,451)</u>	<u>(302,431)</u>	<u>-</u>	<u>(3,226,882)</u>
Total Capital Assets, Net	<u>\$ 6,009,138</u>	<u>\$ (102,970)</u>	<u>\$ -</u>	<u>\$ 5,906,168</u>

Accumulated depreciation, increased by depreciation expense for the fiscal year ending December 31, 2013, totaled \$302,431. All assets are depreciated under the straight-line method. Key capital asset additions included \$199,461 for machinery and equipment.

6. Accounts Payable and Accrued Liabilities

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Accounts Payable and Accrued Liabilities				
Accounts Payable	\$ 36,160	\$ 42,719	\$ (6,559)	-15%
Other Accrued Liabilities			-	
Other	293	427	(134)	-31%
Payroll Taxes	-	4,562	(4,562)	-100%
Retirement	-	5,092	(5,092)	-100%
Vacation	23,048	16,557	6,491	39%
Wages	<u>8,099</u>	<u>6,206</u>	<u>1,893</u>	31%
Total Other Accrued Liabilities	<u>31,440</u>	<u>32,844</u>	<u>(1,404)</u>	-4%
Total Accounts Payable and Accrued Liabilities	<u>\$ 67,600</u>	<u>\$ 75,563</u>	<u>\$ (7,963)</u>	-11%

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

7. Retirement

Plan Description: Substantially all full-time employees of Sewerage District No. 1 of Tangipahoa Parish are members of the Parochial Employees' Retirement System of Louisiana (System), a multi-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least ten years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three percent of their final-average salary for each year of creditable service. However, for these employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24.00 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by the state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 16.75 percent of annual covered payroll. Contributions to the System include one-fourth (1/4) of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contribution to the System under Plan A for the year ending December 31, 2013 was \$43,861 with the amount of employer's contribution included within the employee benefits category.

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

8. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2013:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
Sewer Revenue Bonds 92-01	\$ 564,397	\$ -	\$ (50,467)	\$ 513,930	\$ 89,412
Sewer Revenue Bonds 92-02	51,308	-	(1,428)	49,880	1,511
Sewer Revenue Bonds 92-03	651,369	-	(10,522)	640,847	10,981
Sewer Revenue Bonds 92-05	102,688	-	(1,660)	101,028	1,732
Sewer Revenue Bonds Series 2005	100,472	-	(100,472)	-	-
Capital Lease - Kubota Excavator	11,191	-	(11,191)	-	-
Total Long-Term Debt	\$ <u>1,481,425</u>	\$ <u>-</u>	\$ <u>(175,740)</u>	\$ <u>1,305,685</u>	\$ <u>103,636</u>

Long Term Obligations as of December 31, 2013 and 2012 are as follows:

			<u>December 31, 2013</u>	<u>December 31, 2012</u>
Revenue Bond	\$ 733,000	Sewer System - Rural Utility Services 92-01, Sewer revenue bonds sold to Rural Utilities Service, U.S. Dept of Agriculture. Dated 3/3/1993 due in monthly installments of principal and interest of \$ 3,900 through 4/3/2033 , interest at 5.625%.	\$ 513,930	\$ 564,397
Revenue Bond	\$ 67,000	Sewer System - Rural Utility Services 92-02 Sewer revenue bonds sold to Rural Utilities Service, U.S. Dept of Agriculture. Dated 3/3/1993 due in monthly installments of principal and interest of \$ 356 through 4/3/2033 , interest at 5.625%.	49,880	51,308
Revenue Bond	\$ 723,000	Sewer System - Rural Utility Services 92-03 Sewer revenue bonds sold to Rural Utilities Service, U.S. Dept of Agriculture. Dated 9/25/2003 due in monthly installments of principal and interest of \$ 3,167 through 10/25/2043 , interest at 4.25%.	640,847	651,369
Revenue Bond	\$ 114,000	Sewer System - Rural Utility Services 92-05 Sewer revenue bonds sold to Rural Utilities Service, U.S. Dept of Agriculture. Dated 9/25/2003 due in monthly installments of principal and interest of \$ 499 through 10/25/2043 , interest at 4.25%.	101,028	102,688
Revenue Bond	\$ 225,000	Sewer System - Iberia Bank Series 2005 Dated 3/23/2005 due in monthly installments of principal and interest of \$ 2,025 through 8/1/2017 , interest at 4.25%.	-	100,472
Capital Lease	\$ 48,293	Kubota Excavator, collateralized by equipment Dated 12/7/2009 due in monthly installments of principal and interest of \$ 1,054 through 12/7/2013 , interest at 7.69%.	-	11,191
			\$ <u>1,305,685</u>	\$ <u>1,481,425</u>

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

The annual requirements to amortize all bonded debt outstanding as of December 31, 2013, including interest payments of \$994,155 are as follows:

Year Ending	Sewer Revenue Bonds 92-01	Sewer Revenue Bonds 92-02	Sewer Revenue Bonds 92-03	Sewer Revenue Bonds 92-05	Total
12/31/13	\$ 733,000	\$ 67,000	\$ 723,000	\$ 114,000	
2014	\$ 46,795	\$ 4,277	\$ 38,001	\$ 5,992	\$ 95,065
2015	46,795	4,277	38,001	5,992	95,065
2016	46,795	4,277	38,001	5,992	95,065
2017	46,795	4,277	38,001	5,992	95,065
2018	46,795	4,277	38,001	5,992	95,065
2019 to 2023	233,974	21,386	190,004	29,959	475,323
2024 to 2028	233,974	21,386	190,004	29,959	475,323
2029 to 2033	202,777	18,535	190,004	29,959	441,275
2034 to 2038	-	-	190,004	29,959	219,963
2039 to 2043	-	-	183,671	28,960	212,631
	<u>\$ 904,700</u>	<u>\$ 82,692</u>	<u>\$ 1,133,692</u>	<u>\$ 178,756</u>	<u>\$ 2,299,840</u>

The above schedule projects future payments of bond principal and bond interest based on scheduled payments per bond agreements, and individual bond issues may be refunded at earlier dates based on accelerated payment schedules implemented by the District.

9. Sewer Revenue Bond Resolution Covenants

As of December 31, 2013, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana (District), has four Revenue Bonds financed by USDA Rural Development. One bond, issued by a private lending institution, was paid off during 2013. The original principal amounts of the four bond issues through Rural Development total \$1,637,000 and consist of two bonds issued on March 3, 1993, for \$733,000 and \$67,000, both issued at an annual interest rate of 5.625 percent, and two bonds issued on September 25, 2003, for \$723,000 and \$114,000 at an annual rate of 4.25 percent. Each of the bonds financed by Rural Development is a parity obligation, and the bond issue through a private lending institution, paid off during 2013, of \$225,000 of Sewer Revenue bonds, Series 2005, dated March 23, 2005, with an annual interest rate of 4.25 percent, was also issued in parity with existing bond obligations. The bond resolution, covering all the bonds, specifies that the bonds shall be secured and payable in principal and interest exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system. Other specific legal requirements and bond restrictions are summarized below:

- a) Provide that all income and revenues derived by the issuer from the operation of the system shall be deposited in a separate and special bank account (the "Sewer Fund") with the regularly designated fiscal agent bank of the issuer.
- b) The issuer, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, covenants to fix, establish, and maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120 percent of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any parity bonds issued thereafter.

- c) The establishment and maintenance of a "Sewer Bond and Interest Sinking Fund" (the "Sinking Fund") sufficient in amount to pay promptly and fully the principal and interest on the bonds.

The required monthly payments for the principal and interest are due on the 20th day of each month. With the payoff in 2013 of the bonds financed by a private lender, the monthly payment requirement changed to \$7,922.06 for the USDA Rural Development bonds. The bond documents show a reduction in the payment requirement to \$3,666.06 beginning 5/20/33, but the actual payment requirement may change since the District has adopted an accelerated payment plan for the retirement of debt.

The actual creation of a sinking fund was not required since the District pays required bond installments directly to Rural Utilities Service on a monthly basis.

- d) The establishment of the "Sewer Revenue Bond Reserve Fund" (the "Reserve Fund") by transferring from the Sewer Fund, the operating account of the District, monthly in advance on or before the 20th of each month a sum at least equal to five per cent of the amount to be paid each month for bond principal and interest payments. As of December 31, 2013, and with the payoff of the private activity bond in year 2013, the monthly deposit requirement decreased to \$396. Payments to the Reserve Fund are to continue until the "Reserve Fund Requirement" is met. The "Reserve Fund Requirement" specifies that deposits shall continue until they reach a limit that equals the maximum succeeding annual installments of principal and interest for all outstanding parity bond obligations for any succeeding year. As of December 31, 2013, the "Reserve Fund Requirement" equals \$95,065.

The money in the Reserve Fund is required to be retained solely for the purpose of paying the principal and interest on bonds payable, upon approval by the Rural Utilities Service, for which there would otherwise be default.

The actual Reserve Fund account balance at December 31, 2013, was \$79,944 and was fully funded at fiscal year-end.

- e) The establishment and maintenance of the "Sewer Depreciation and Contingency Fund" (the "Contingency Fund") is to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the System, by transferring from the Sewer Fund, the operating account of the District, beginning with the first month following completion of the improvements, monthly in advance on or before the 20th of each month a sum at least equal to five per cent of the amount to be paid each month for bond principal and interest payments. As of December 31, 2013, and with the payoff of the private activity bond in year 2013, the monthly deposit requirement decreased to \$396. Upon the Reserve Fund being fully-funded to the "Reserve Fund Requirement", the Contingency Fund deposit will increase to a sum equal to ten percent (10%) of the amount paid into the Sinking Fund with respect to the Bond, all as required by the Government, which monthly payments will be in addition to those required to be made into the Contingency Fund by the Parity Bond Resolution.

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

Money in the Contingency Fund may also be used, upon approval, to pay the principal and interest on any bond for which there is not sufficient money in the Sinking Fund or the Reserve Fund.

The actual Contingency Fund balance at December 31, 2013, was \$79,619 and was fully funded at fiscal year-end.

- f) The District, in the bond resolutions dated May 12, 2003, (amended August 18, 2003), and February 9, 2005, also obligated itself to abide by the following covenants:
1. The District will shut off service if the delinquent charge, with interest and penalties accrued thereon, is not paid within thirty days from the date on which such charges become delinquent.
 2. A penalty of ten percent will be charged on all delinquent accounts, and interest of not less than five percent per annum will be charged on delinquent accounts after 10 days from the date of delinquency.
 3. The District agrees to maintain the System in first class repair and working order and condition.
 4. The District will carry full insurance coverage on the System in the manner required by the Government, with a company licensed to do business under the laws of Louisiana.
 5. The District will maintain separate and correct records and accounts, and will have the books audited no later than six months after the close of each fiscal year.
 6. The District will not sell, lease or in any manner dispose of the System or any substantial part thereof, provided the District may dispose of property that in its judgment is worn-out, unserviceable, unsuitable, or unnecessary in the operation of the System.
 7. The District will not, except as provided by these bond resolutions, voluntarily create or cause to be created any debt, lien, pledge, mortgage, assignment, or any other charges having priority or parity with the liens of the Bonds upon the income and revenues of the System pledged as security thereof.
 8. That, to the extent permitted by law, the District will not grant a franchise to any sewer utility for operation within the boundaries of the District.
 9. In operation of the System, the District will require all officers and employees in a position of authority or in possession of money derived from operations of the System to be covered by a blanket fidelity bond or faithful performance bond.
 10. That the District will take all action necessary to require connection to its sewer system to the extent permitted by law.
 11. No free service or facilities will be furnished to any persons.

Sewerage District No. 1 of Tangipahoa Parish
Notes to the Financial Statements
As of and for the Year Ended December 31, 2013

On October 29, 2001, USDA agreed in writing that as long as the District is not in default in the payment of principal and interest on the bonds that:

- (i) the period within which the District will cause service to be shut off from the date of delinquency is extended from 30 days to 90 days;
- (ii) the penalty on such delinquent charges is reduced from ten percent to five percent; and
- (iii) it is not necessary that interest be charged on the delinquent account.

The District has requested written notification from the USDA that this waiver continues to apply.

During the fiscal year ended December 31, 2013, the District was in substantial compliance with bond covenants noted on the previous page.

10. Restricted and Designated Net Position

At December 31, 2013, Sewerage District No. 1 of Tangipahoa Parish recorded \$164,646 in Restricted Net Position (Restricted for Capital Projects and Debt Service), representing the District's funds restricted by revenue bond debt covenants and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

During the fiscal year ended December 31, 2013, the District was in substantial compliance with bond covenants noted above.

11. Litigation

There is no outstanding litigation at December 31, 2013 for which there would be a probable settlement against the District.

12. Subsequent Events

These financial statements considered subsequent events through May 28, 2014, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2013.

Other Supplemental Information (Part II)

Sewerage District No. 1 of Tangipahoa Parish
Schedule of Revenues, Expenses, and Changes in Net Position-Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2013
(With Comparative Totals for the Year Ended December 31, 2012)

	2013	2013	Variance	2012
	Budget	Actual	Favorable	Actual
			(Unfavorable)	
Operating Revenues				
Sewer Service Charges	\$ 1,440,682	\$ 1,982,859	\$ 542,177	\$ 1,575,492
Impact Fees	15,000	77,800	62,800	41,738
Connection Fees	70,000	89,127	19,127	80,544
Other	12,000	12,007	7	-
Total Operating Revenues	<u>1,537,682</u>	<u>2,161,793</u>	<u>624,111</u>	<u>1,697,774</u>
Operating Expenses				
Salaries and Wages	278,000	303,519	(25,519)	284,193
Employee Benefits	127,200	152,995	(25,795)	130,019
Billing Costs	41,000	55,469	(14,469)	43,554
Depreciation	265,000	302,431	(37,431)	284,891
Director's and Recording Secretary's Expense	8,000	12,450	(4,450)	7,670
Engineering and Surveyor Fees	110,000	186,775	(76,775)	108,373
Insurance	26,800	31,081	(4,281)	26,307
Lift Station and Plant Maintenance	414,250	560,542	(146,292)	620,654
Other	26,250	37,286	(11,036)	22,081
Professional Fees	50,000	62,520	(12,520)	55,342
Rent	-	2,204	(2,204)	4,124
Repairs and Maintenance	18,800	76,470	(57,670)	24,397
Supplies	56,382	66,028	(9,646)	47,381
Vehicle Expenses	37,000	39,960	(2,960)	39,670
Total Operating Expenses	<u>1,458,682</u>	<u>1,889,730</u>	<u>(431,048)</u>	<u>1,698,656</u>
Operating Income (Loss)	<u>79,000</u>	<u>272,063</u>	<u>193,063</u>	<u>(882)</u>
Nonoperating Revenues (Expenses)				
FEMA Reimbursement	-	44,691	44,691	-
Interest Income	1,000	17,404	16,404	1,114
Interest Expense	(80,000)	(62,422)	17,578	(73,882)
Gain (Loss) on Disposal of Capital Assets	-	-	-	1,300
Total Nonoperating Revenues (Expenses)	<u>(79,000)</u>	<u>(327)</u>	<u>78,673</u>	<u>(71,468)</u>
Income (Loss) Before Contributions	<u>-</u>	<u>271,736</u>	<u>271,736</u>	<u>(72,350)</u>
Contributions and Transfers				
Capital Contributions	-	-	-	142,000
Change in Net Position	<u>-</u>	<u>271,736</u>	<u>271,736</u>	<u>69,650</u>
Total Net Position, Beginning	<u>5,736,882</u>	<u>5,736,882</u>	<u>-</u>	<u>5,667,232</u>
Total Net Position, Ending	<u>\$ 5,736,882</u>	<u>\$ 6,008,618</u>	<u>\$ 271,736</u>	<u>\$ 5,736,882</u>

See independent auditor's report.

Schedule 2

**Sewerage District No. 1 of Tangipahoa Parish
Schedule of Compensation Paid to Board of Commissioners
For the Year Ended December 31, 2013**

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Mark Mobley, President (985) 375-0341	P.O. Box 402 Ponchatoula, LA 70454	\$ 1,950	3/31/14
Sonny Thompson, Vice President (985) 542-3445	40232 Adams Road Hammond, LA 70466	1,950	3/31/16
Charles Christmas (985) 748-3016	P.O. Box 577 Amite, LA 70422	1,350	3/31/15
Randall Tricou (985) 386-2050	14599 Highway 22 Ponchatoula, LA 70454	1,800	3/31/16
Susan Quinn (985) 507-0507	41336 Schafer Drive Hammond, LA 70403	1,800	3/31/14

\$ 8,850

See independent auditor's report.

Schedule 3**Sewerage District No. 1 of Tangipahoa Parish
Schedule of Insurance
For the Year Ended December 31, 2013**

Insurance Company / Policy Number	Coverage	Amount	Period
Arch Insurance Company GWPKG0188400	Commercial General Liability: Aggregate Policy Limit: Per Occurrence Personal Injury & Products Liability	\$ 3,000,000 1,000,000 1,000,000	12/11/2013 to 12/11/2014
Stonetrust Commercial Insurance Company WCV 008304302	Workers Compensation at Statutory Limitations: Employers Liability	1,000,000	2/28/2013 to 2/28/2014
Travelers Casualty and Surety Company 105656772	Employee Dishonesty	100,000	9/6/2011 to 9/6/2014
State Farm Insurance	Auto Liability	300,000	2/20/2013 to 2/20/2014

See independent auditor's report.

Schedule 4

**Sewerage District No. 1 of Tangipahoa Parish
Schedule of Sewer Rates
For the Year Ended December 31, 2013**

Sewer	
Residential Rates	Commercial Rates
\$ 37.50 - Flat Rate per Household	SC1
	\$ 54.67 - Base Rate Minimum
	\$ 3.14 - Per 1,000 Gallons
	SC2
	\$ 54.67 - Base Rate Minimum
	\$ 6.24 - Per 1,000 Gallons

The above schedule reflects the District's base rates. Rates may vary, in particular for commercial entities, based on engineering analysis of service costs.

As of December 31, 2013 and 2012, the District had the following number of customers:

Schedule of Number of Sewer Customers

	December 31, 2013	December 31, 2012	Increase (Decrease)
Customers			
Residential	3,203	3,003	200
Commercial	43	41	2
Total Customers	3,246	3,044	202

See independent auditor's report.

**Sewerage District No. 1 of Tangipahoa Parish
Summary Schedule of Auditor's Results
For the Year Ended December 31, 2013**

Part I: Summary of Auditor's Results*Financial Statements*

Type of Auditor's Report Issued: Unqualified.

Internal Control Over Financial Reporting:

Material Weakness(es) Identified:	No
Significant Deficiency(ies) that are not considered to be	
Material Weaknesses:	No
Noncompliance Material to the Financial Statements:	No

Federal Awards

There were no Major Programs for the District for the fiscal year ended December 31, 2013

Part II: Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

A. Compliance Findings –

None.

B. Internal Control Findings -

None.

Part III: Findings and Questioned Costs for Federal Awards which include audit findings as defined in Section 510(a) of Circular A-133:

N/A.

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2013**

Section I - Internal Control and Compliance Material to the Financial Statements

No findings for Section I.

Section II - Internal Control and Compliance Material to Federal Awards

No findings for Section II.

Section III - Management Letter

No findings for Section III.

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 2013**

Section I - Internal Control and Compliance Material to the Financial Statements

No findings for Section I.

Section II - Internal Control and Compliance Material to Federal Awards

No findings for Section II.

Section III - Management Letter

No findings for Section III.

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Dale H. Jones, CPA
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To Board of Commissioners
Sewerage District No. 1 of Tangipahoa Parish
Tangipahoa Parish Council
Hammond, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Sewerage District No. 1 of Tangipahoa Parish, as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Sewerage District No. 1 of Tangipahoa Parish's basic financial statements and have issue our report dated May 28, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Sewerage District No. 1 of Tangipahoa Parish's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of Sewerage District No. 1 of Tangipahoa Parish's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

BRUCE HARRELL & CO., CPAs

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Accounting Corporation

To the Board of Commissioners
Sewerage District No. 1 of Tangipahoa Parish
Tangipahoa Parish Council
Hammond, Louisiana
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sewerage District No. 1 of Tangipahoa Parish's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

May 28, 2014